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SUBJECT: PARAGUAY: CODEL DISCUSSES TERRORIST FINANCING,
NARCOTICS, CORRUPTION, REFORM AND TRADE WITH SENATORS AND
PRESIDENTIAL ADVISORS

REF: ASUNCION 77

1. Summary. On 1/11 Senators Dodd, Chaffee, and Nelson toured Ciudad del Este (CDE) and visited the Itaipu Hydroelectric Dam. On 1/12, they met with President Duarte (see reftel), Paraguayan Senators and Presidential Advisors. In their meeting with Senators, CODEL Dodd registered its concern over terrorist financing; the Paraguayan Senators requested the U.S. provide it with radars to combat drug trafficking. Sen. Dodd's comments to the press on this issue following the meeting drew wide coverage and some backlash from some commentators complaining about a lack of evidence. The CODEL's meeting with GOP advisors focused on reform and trade. End Summary.

CODEL Visits CDE, Itaipu Dam

2. On 1/11, Sen. Dodd (D) of Connecticut, Sen. Chaffee (R) of Rhode Island, and Sen. Nelson (D) of Florida toured Ciudad del Este, visiting the Friendship Bridge connecting Paraguay with Brazil where they observed the massive movement of people and goods between the two countries and spoke to Customs and Immigration officials. Paraguayan officials complained about the lack of resources at their disposal to tackle the problems they face and appealed for assistance; Dodd noted the possibility of better utilization of the resources they currently have. Earlier in the day, the CODEL received a tour of the facilities at the Itaipu Hydroelectric Dam, noting its importance to Paraguay on a variety of levels both political and economic.

Meeting with Paraguayan Senators on Terrorist Financing and Counter Narcotics

3. On 1/12, CODEL Dodd met with Paraguayan Senate leaders from a number of political parties. Sen. Dodd stressed the importance the U.S. attaches to GOP efforts to counter money laundering, drug trafficking and terrorist financing. He registered concern about terrorist financing, particularly in view of illicit activity the delegation observed in CDE. Sen. Bade Rachid of the Colorado Party complained that U.S. charges regarding this problem are on occasion too broad and unsupported. He conveyed his hope that the visit by the U.S. Senators could produce something concrete, urging they find a way to provide Paraguay with four radars to monitor and combat the movement of narcotics flights over Paraguay. He suggested these radars might be available among excess goods no longer used in the wake of U.S. base closures.

Meeting with Presidential Advisors

4. Before its departure on 1/12, CODEL Dodd met with a number of advisors from President Duarte's economic team, stressing U.S. support for efforts to combat corruption and implement economic reform. Presidential Advisor Walde described the need for a transformation in the Paraguayan cultural mindset for its efforts to reform and combat corruption to become sustainable. He appealed to the U.S. to open its markets to Paraguayan goods, in particular garments and organic sugar, flagging as significant and positive the economic impact this opportunity would avail Paraguay. Walde also noted that the GOP plans to sign an Open Skies agreement as one part of a broad strategy to make Asuncion an air hub, promote new exports, and bring in tourists. Minister of Trade and Commerce Ernst Bergen stressed the IPR fight. Minister of Finance (MOF) advisor Fernando Massi elaborated on reform achievements described by the President (reftel). MOF advisor Diego Abente noted the long-term GOP reform plan. Sen. Dodd praised the reforms, urging the GOP to build public support as the process continues, since great ideas were bound to fail in a democracy if not sold to the people.

Press Coverage

5. Sen. Dodd's comments to the press received wide coverage

with most focusing on the concerns conveyed regarding the flow of funds to terrorist organizers. Some commentators, including the Mayor of Ciudad del Este and a congresswoman from the region, complained about the lack of evidence the U.S. provides to support its claims regarding terrorist financing. On a positive note, Senate President Carrizosa conveyed publicly that he shared some of U.S. concerns on this matter and flagged the need for Paraguay to step up its efforts to address the problem. Charge answered some of the critics in a live radio interview 1/14, noting that U.S. concerns were not new, and are part of worldwide efforts against terrorist funding.

16. CODEL departed before having the opportunity to clear this cable.

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